

---

**DTE Energy®**



**Structural Drivers of Michigan's Residential  
Electric Rates**

**March 19, 2013**



---

**DTE Energy has been part of Michigan for 150 years and we intend to be part of Michigan's future and success for another 150 years or more**

---

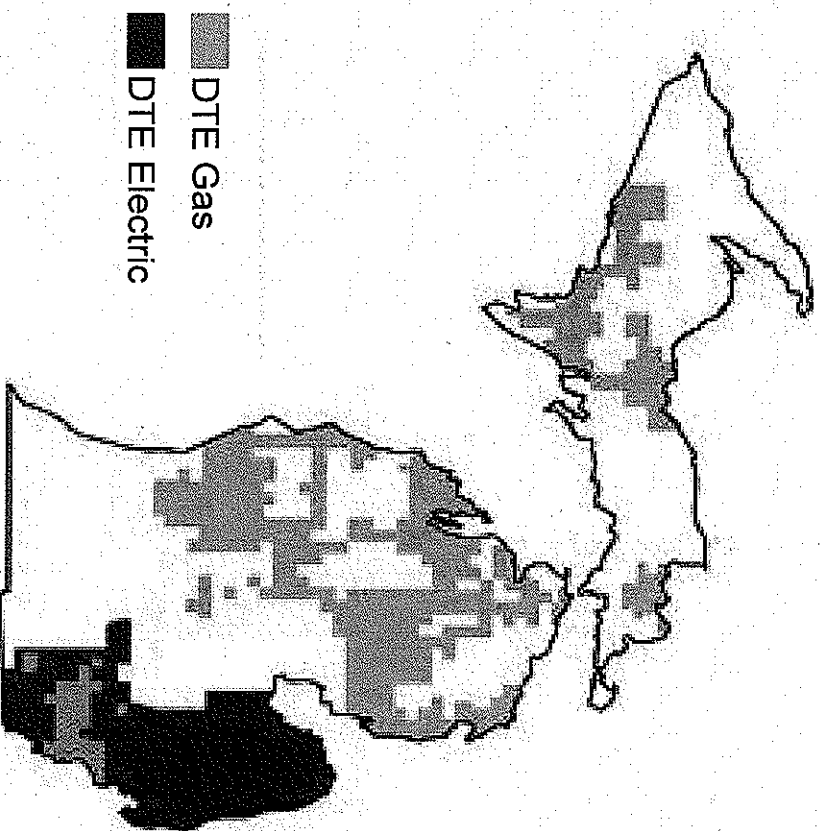


### **Our Michigan presence**

- 2.1 million electric customers in Michigan
- 1.2 million gas customers in Michigan
- More than 9,000 employees; 9,000 retirees; and 68,000 Michigan shareholders

### **Our businesses**

- DTE Energy is a Fortune 300 company
- DTE Energy Electric (founded 1903)
- DTE Energy Gas (founded 1849)
- Non-utility businesses with operations in 24 states
- Near the top of the list of investors in Michigan's economy, every year



---

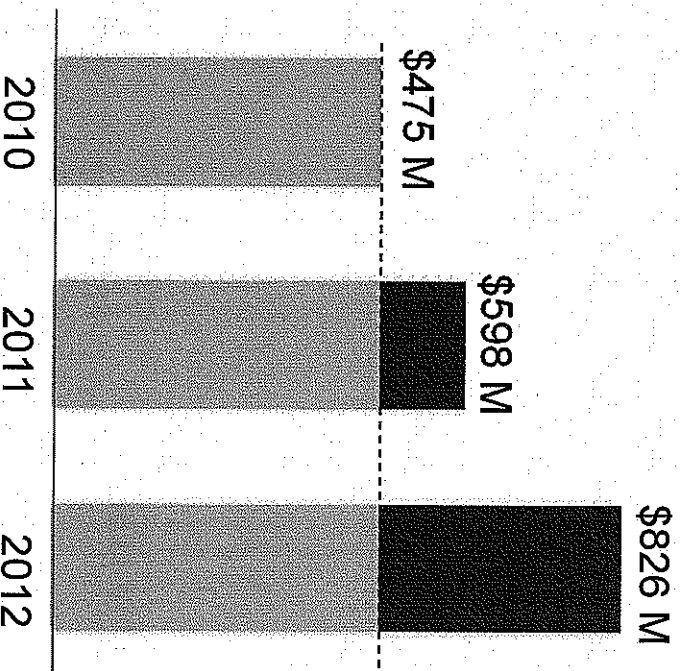
**We know that when Michigan families, businesses and communities prosper, we prosper**



---

**Increasing Michigan-based supply**

**DTE Energy's Michigan-based supply commitment has already led to**



**\$826 million**

**Investment with Michigan-based suppliers in 2012**

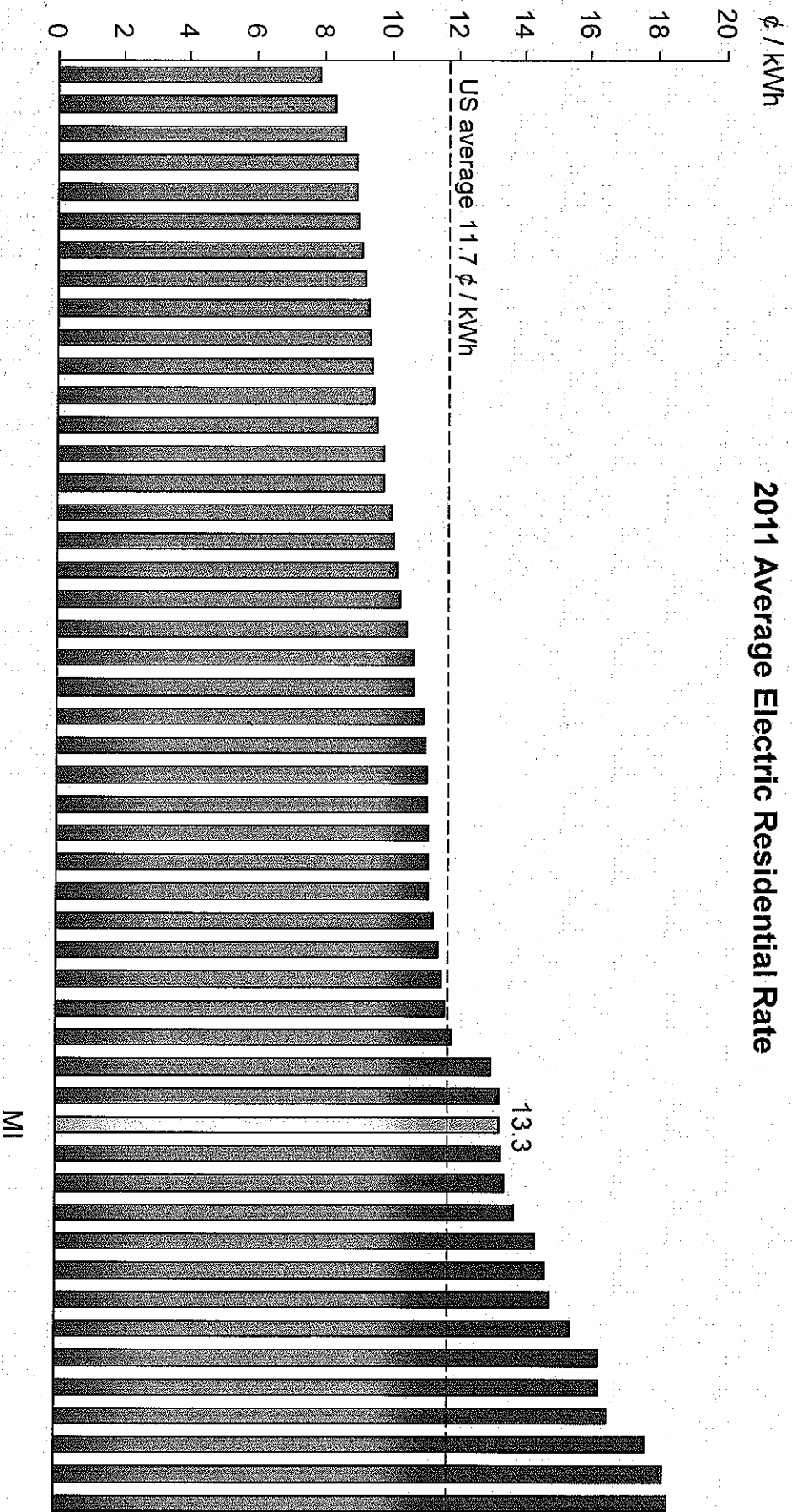
**5,000 jobs**

**Estimated new, full-time jobs in Michigan**

---

Source: Michigan Economic Development Corporation

## Michigan's residential electric are slightly above the national average

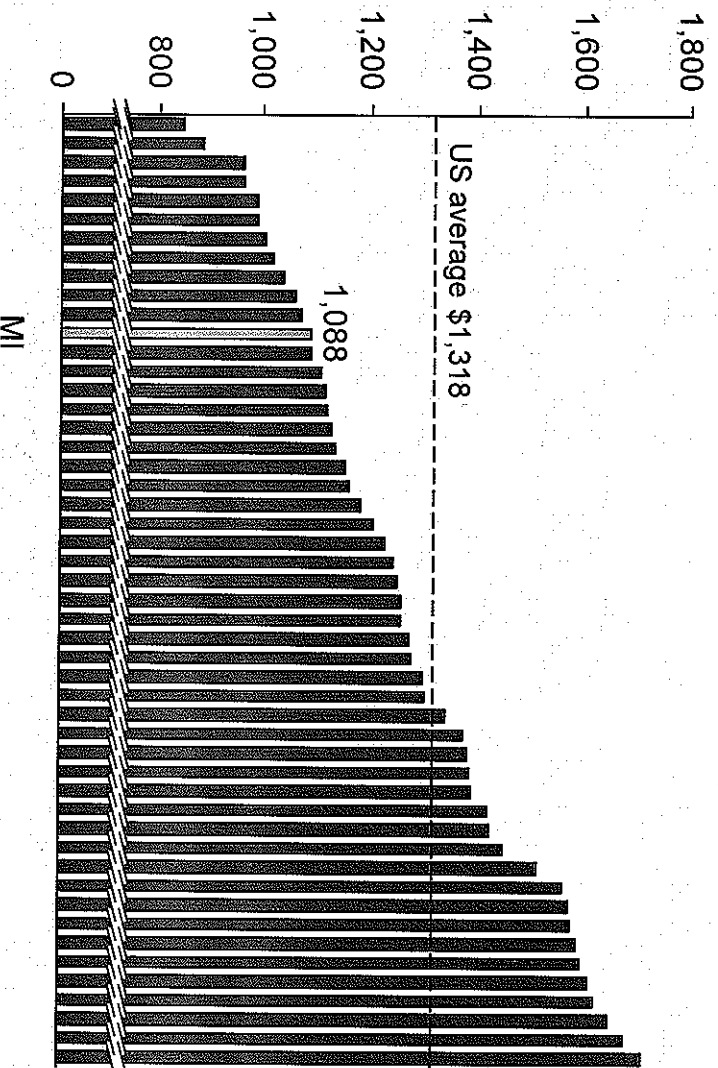


**While rates are higher, Michigan residential electric bills are well below the national average and Michigan families spend a smaller portion of their income on electricity**

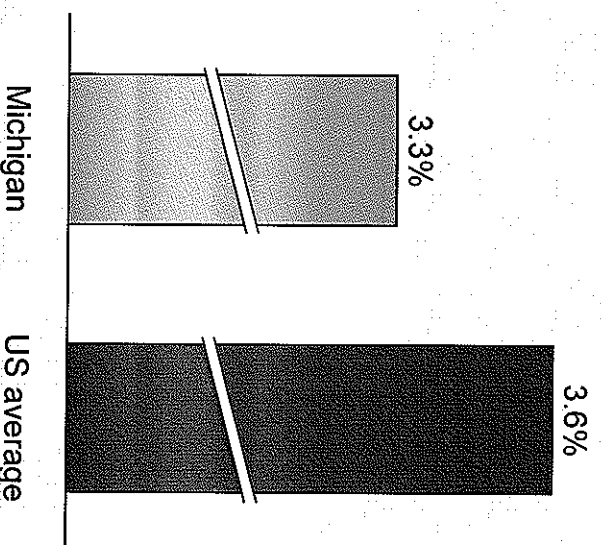


**DTE Energy®**

**Average Annual Electric Residential Bill (\$)**



**Electric bills as a portion of disposable income (%)**

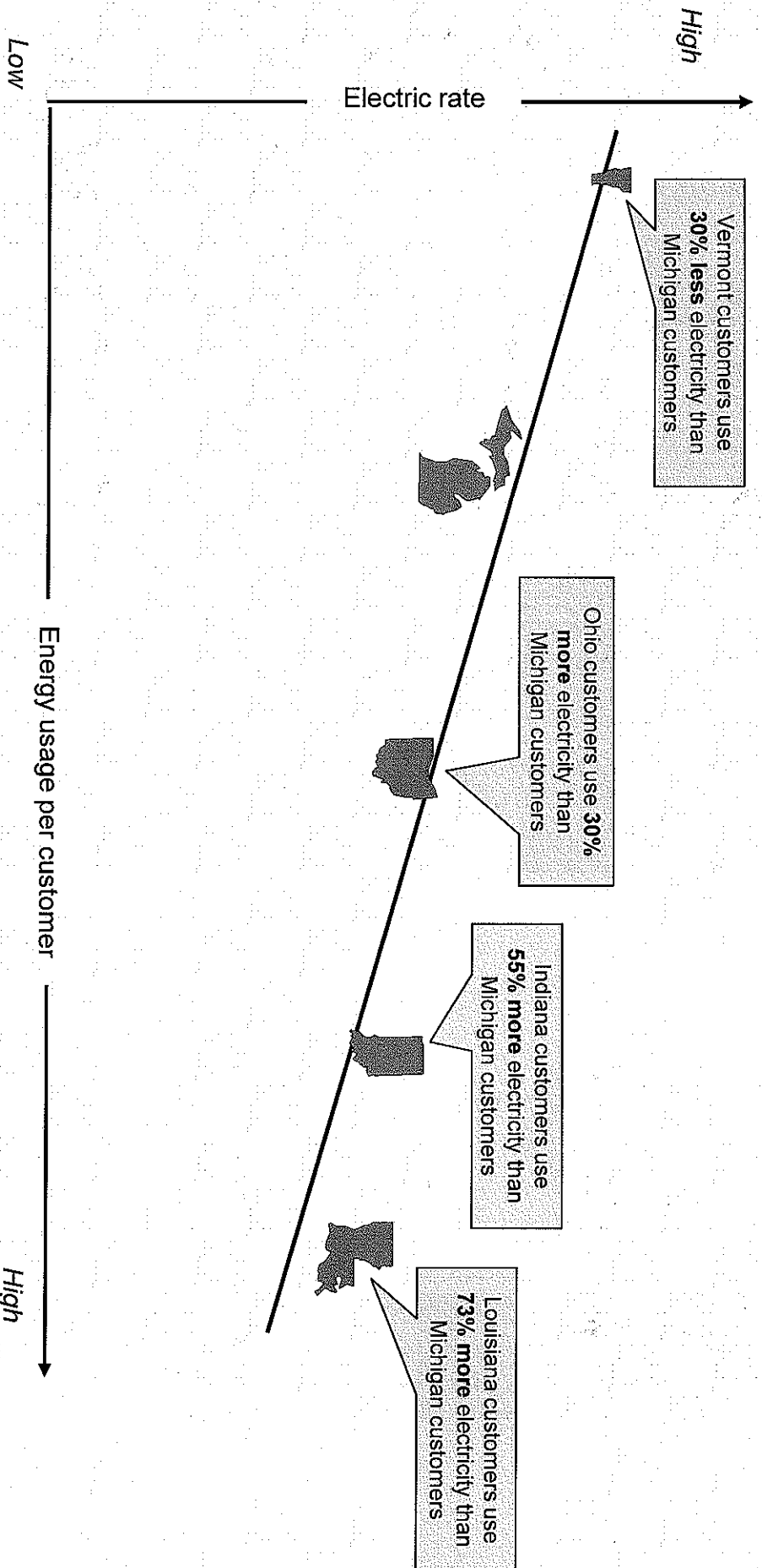


The difference between average rates and average bills

DTE Energy®



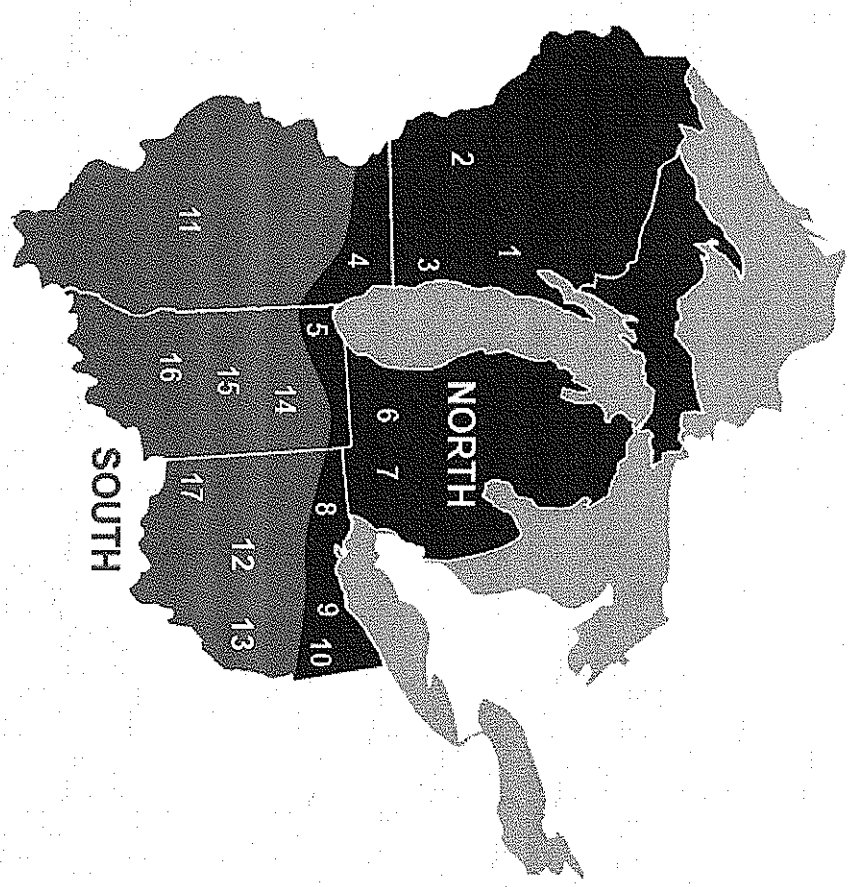
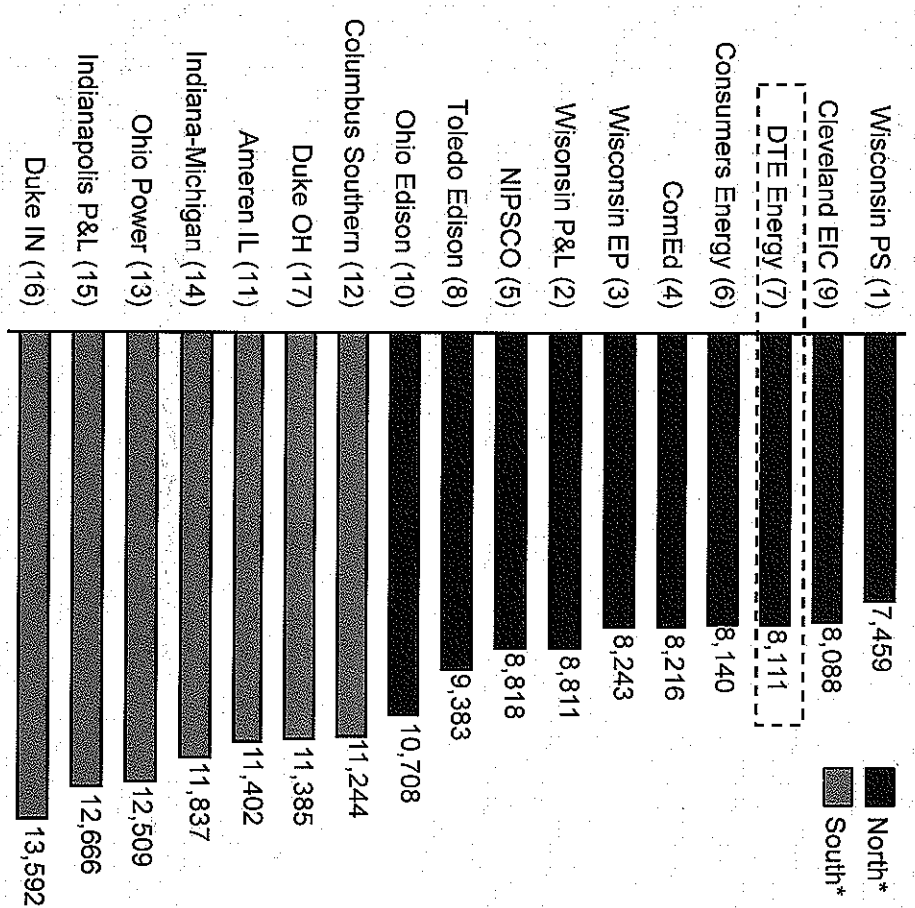
is energy usage: Michigan customers use far less electricity than those in most states, leading to lower bills but higher rates





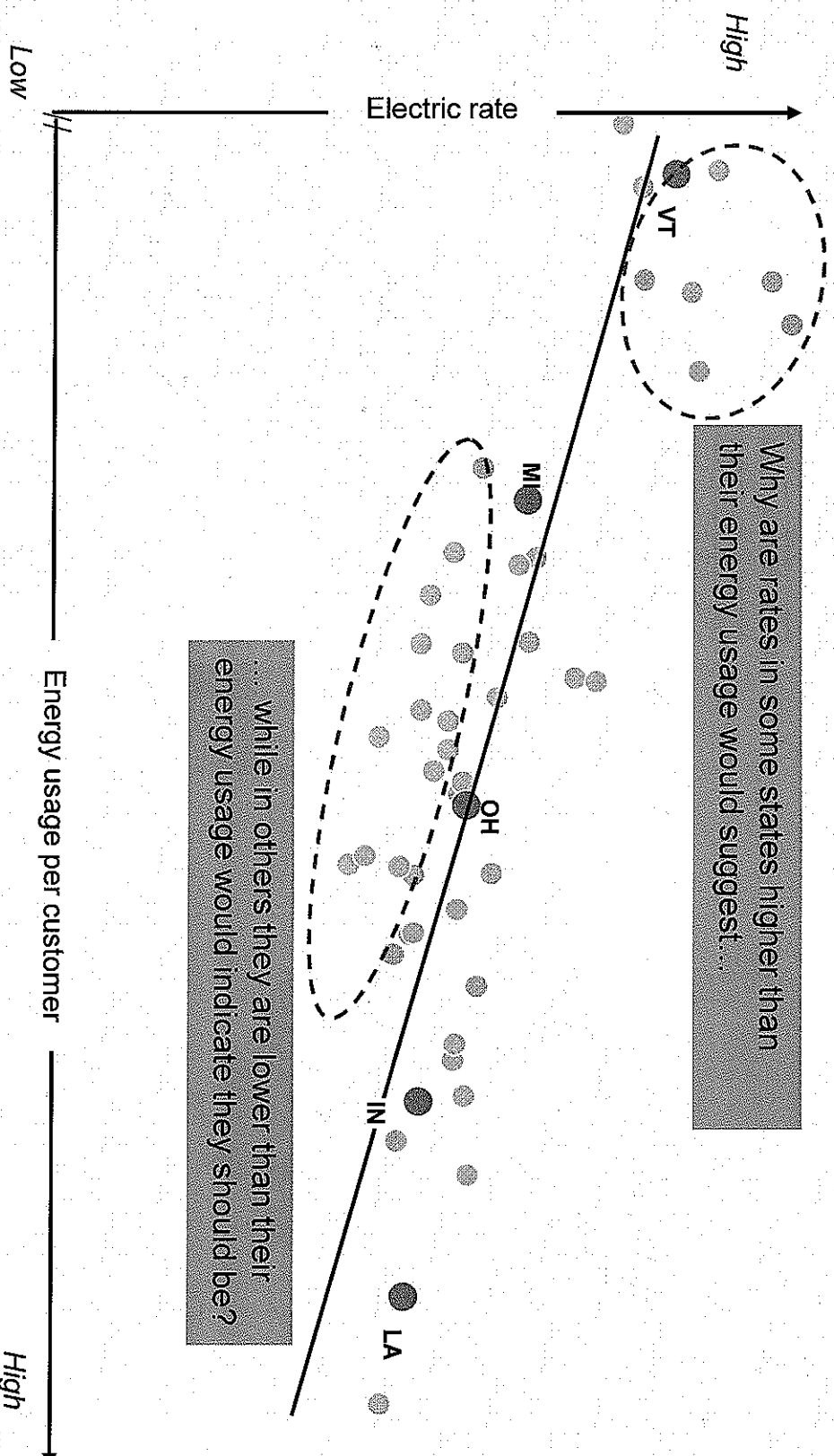
# Looking closer to home, DTE Energy has one of the lowest levels of electricity use per customer in the Great Lakes region

2011 Residential Consumption (annual KWh / customer)



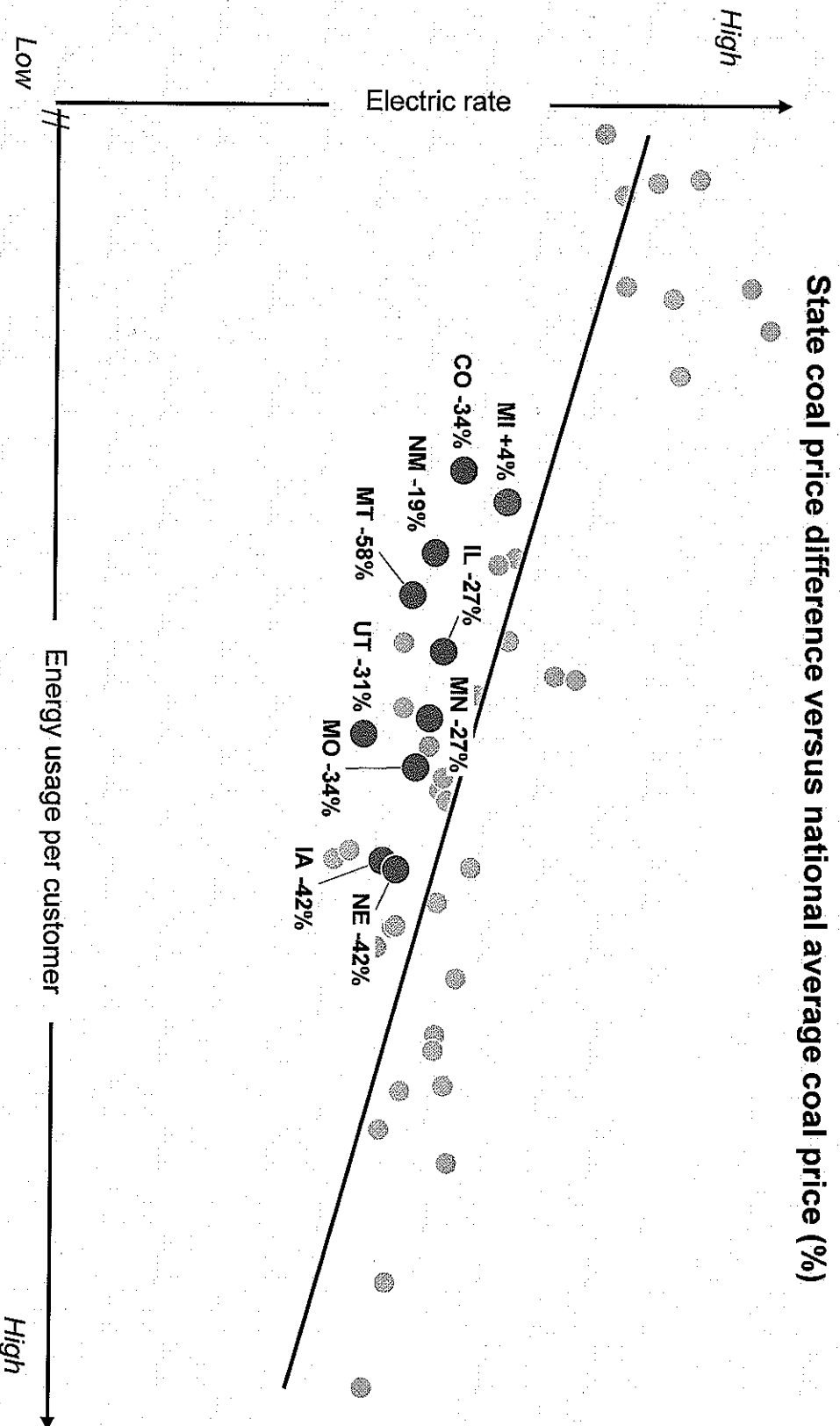
\* Northern utilities use gas (not electricity) for home and water heating; as one moves South, electricity increasingly dominates heating needs  
Source: EIA Form 826

**In addition to average use, two other factors drive relative rates: access to inexpensive coal / hydro power, and economic growth**

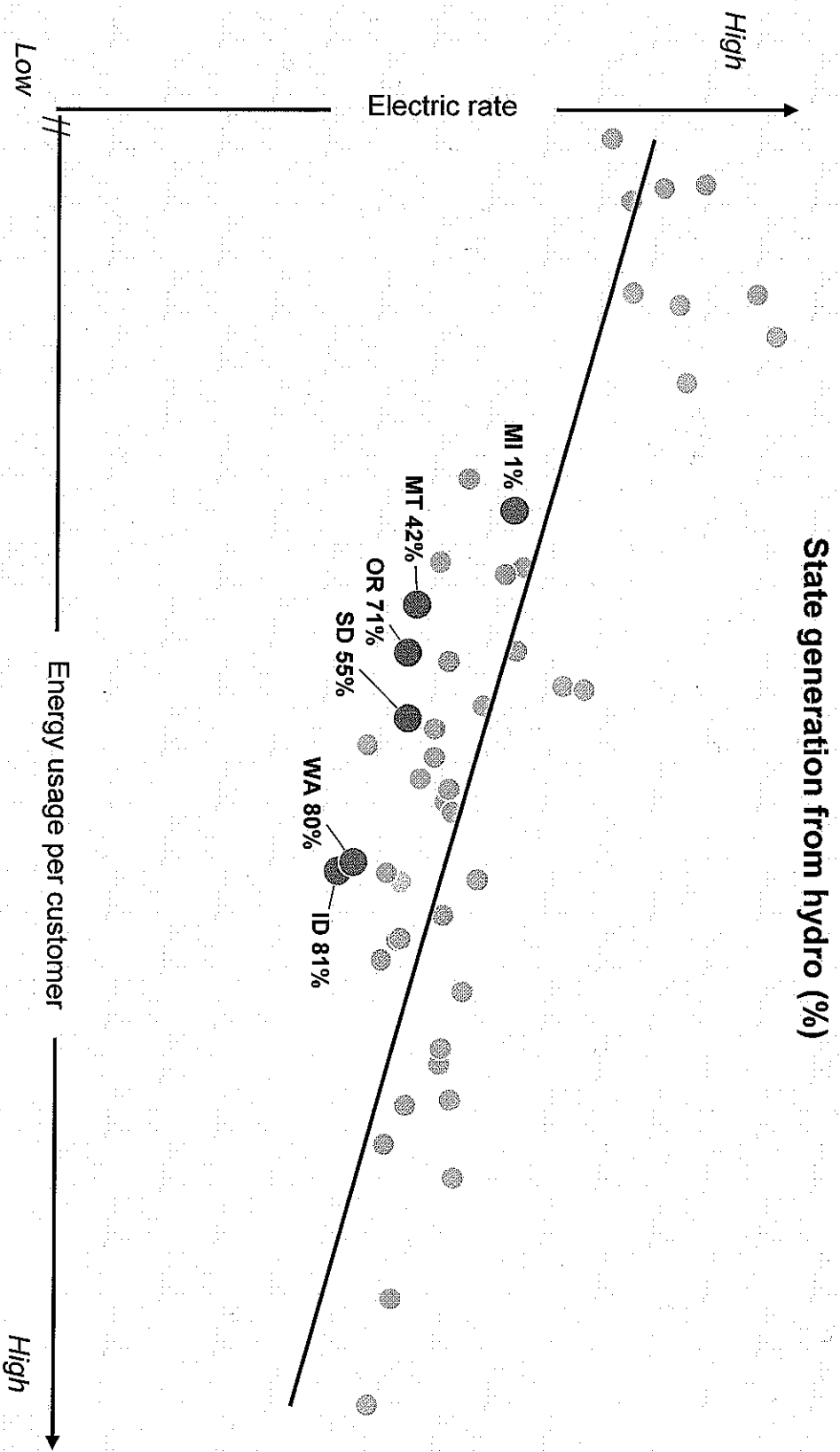




**Access to inexpensive coal – especially western coal – is  
a powerful advantage for a number of states**

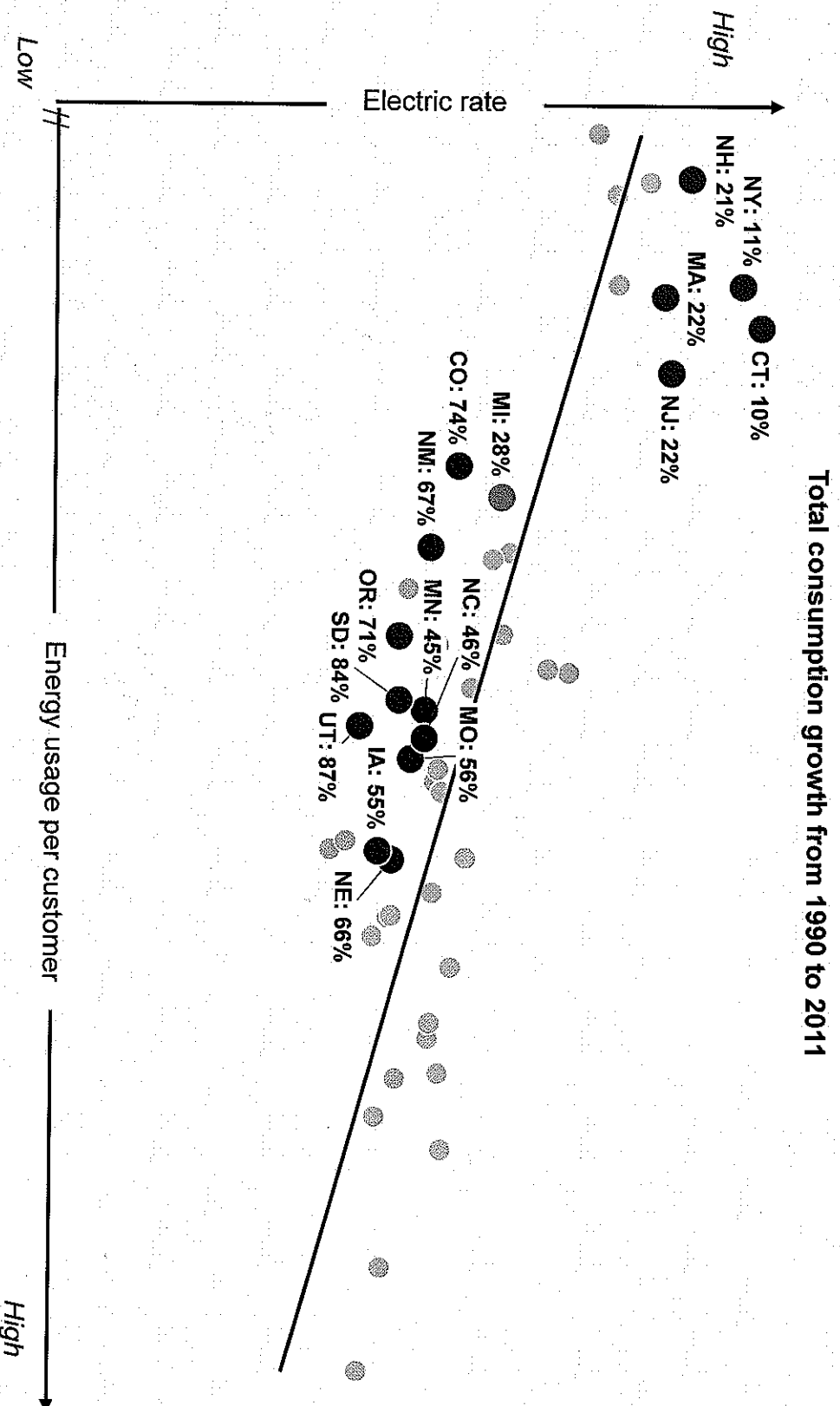


Access to plentiful, low-cost hydroelectric generation is a powerful advantage, principally in the Pacific Northwest





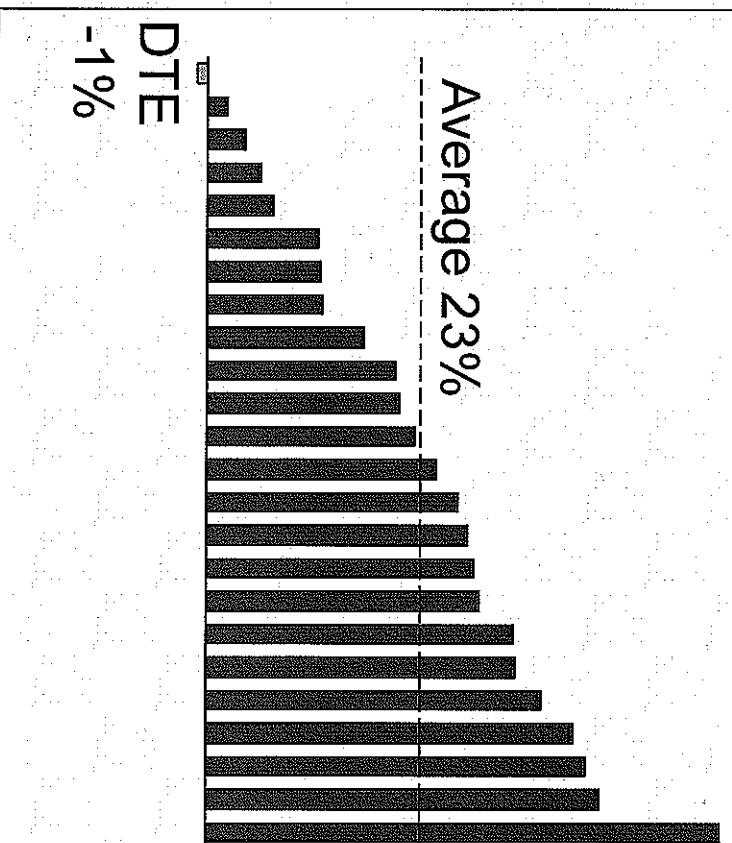
## Load growth is another factor that influences rates: states with sub-par growth have comparatively higher rates



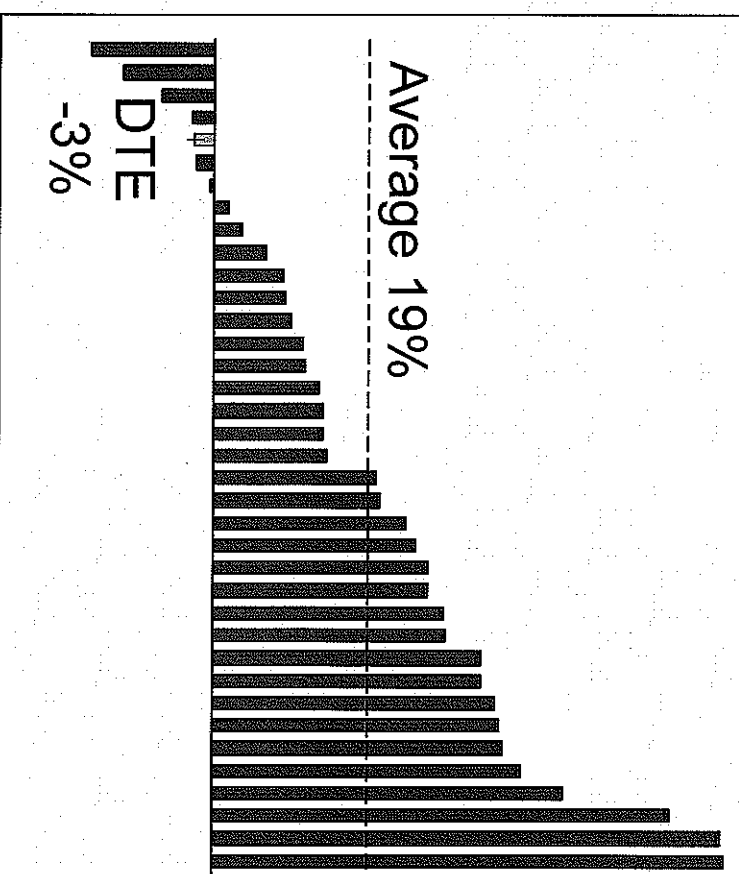
**Because we are committed to keeping our service affordable for Michigan families we have been controlling our operating costs better than any other large utility in the nation**



**Change in Electric Operating Costs, 2007-2011**  
Major US Electric Utilities

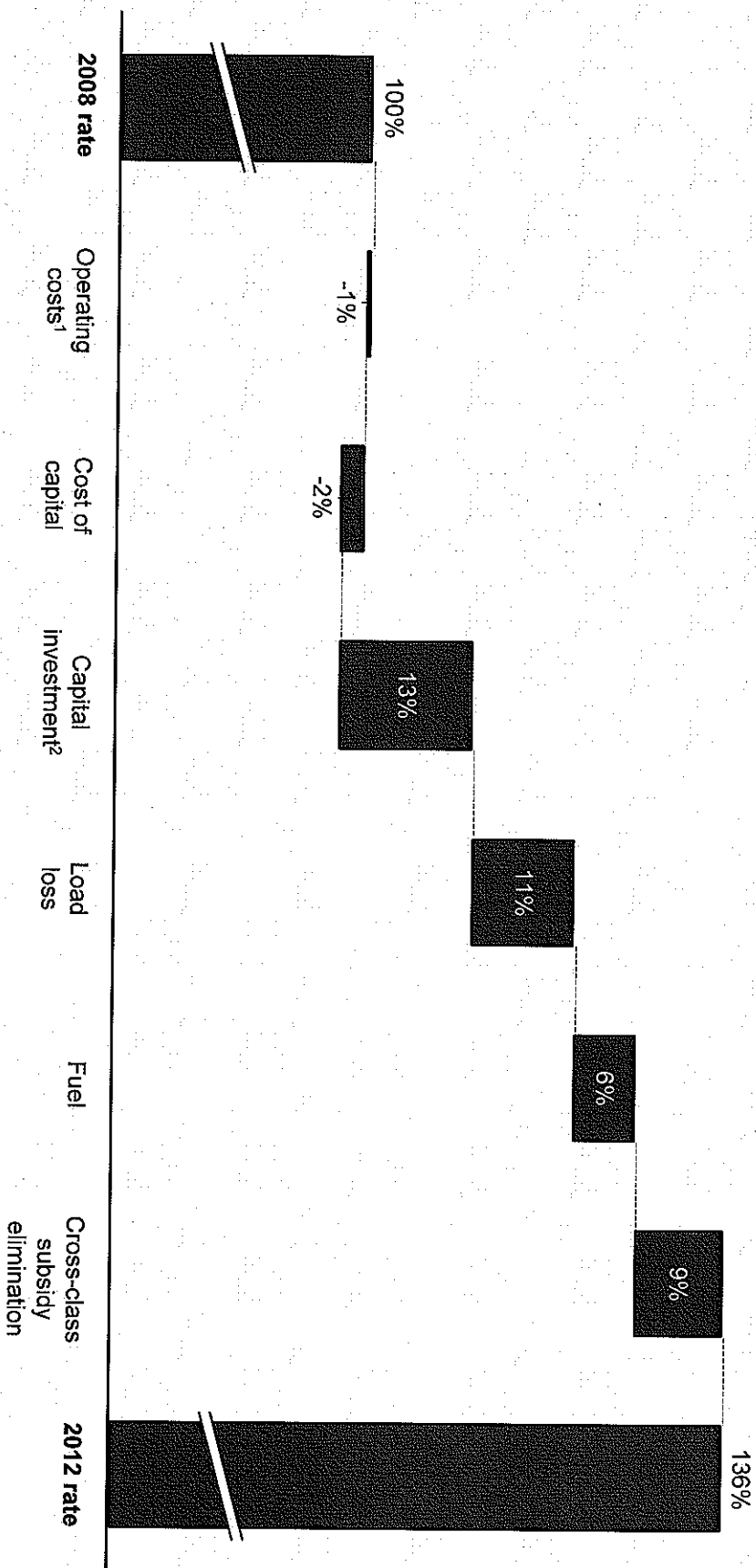


**Change in Gas Operating Costs, 2007-2011**  
Major US Gas Utilities



The increase in residential rates the last few years has been driven largely by capital investments and declining consumption

Drivers of DTE Energy Electric Residential Rate Changes

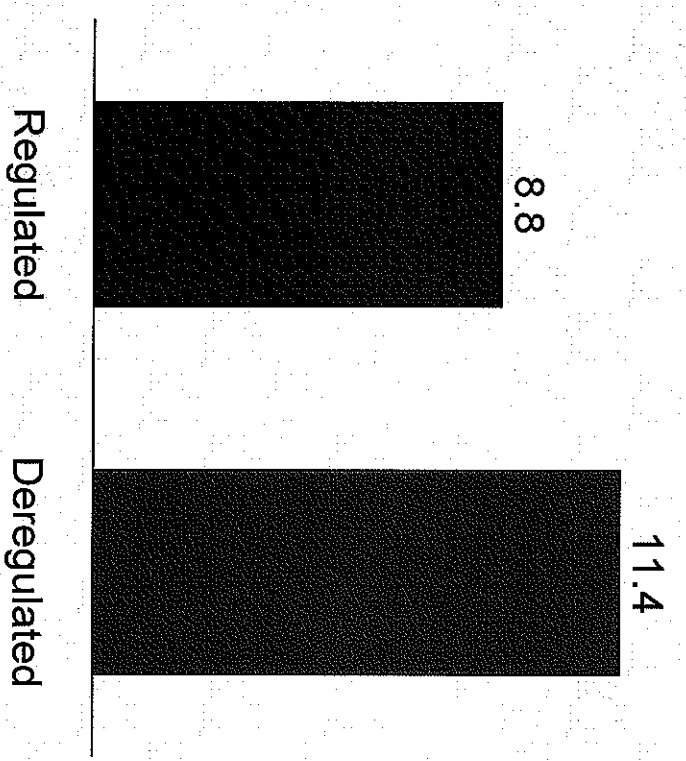


1. Excluding fuel and purchased power

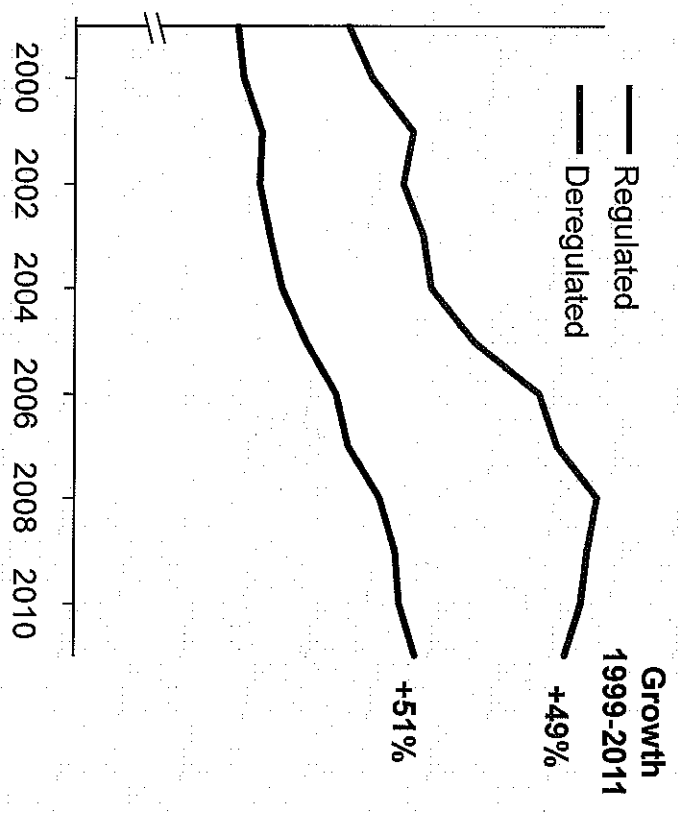
2. Includes investments and operating expenses for mandated environmental controls, renewables, energy efficiency, and investments in base capital

**Deregulation has not led to lower rates – in fact, rates in deregulated states are 30% higher than in regulated states and have grown at the same pace over time**

**Average rates in deregulated states are 30% higher than in regulated states**  
(¢ / kWh)



**Rates in regulated and deregulated states have grown at the same pace**  
(¢ / kWh)



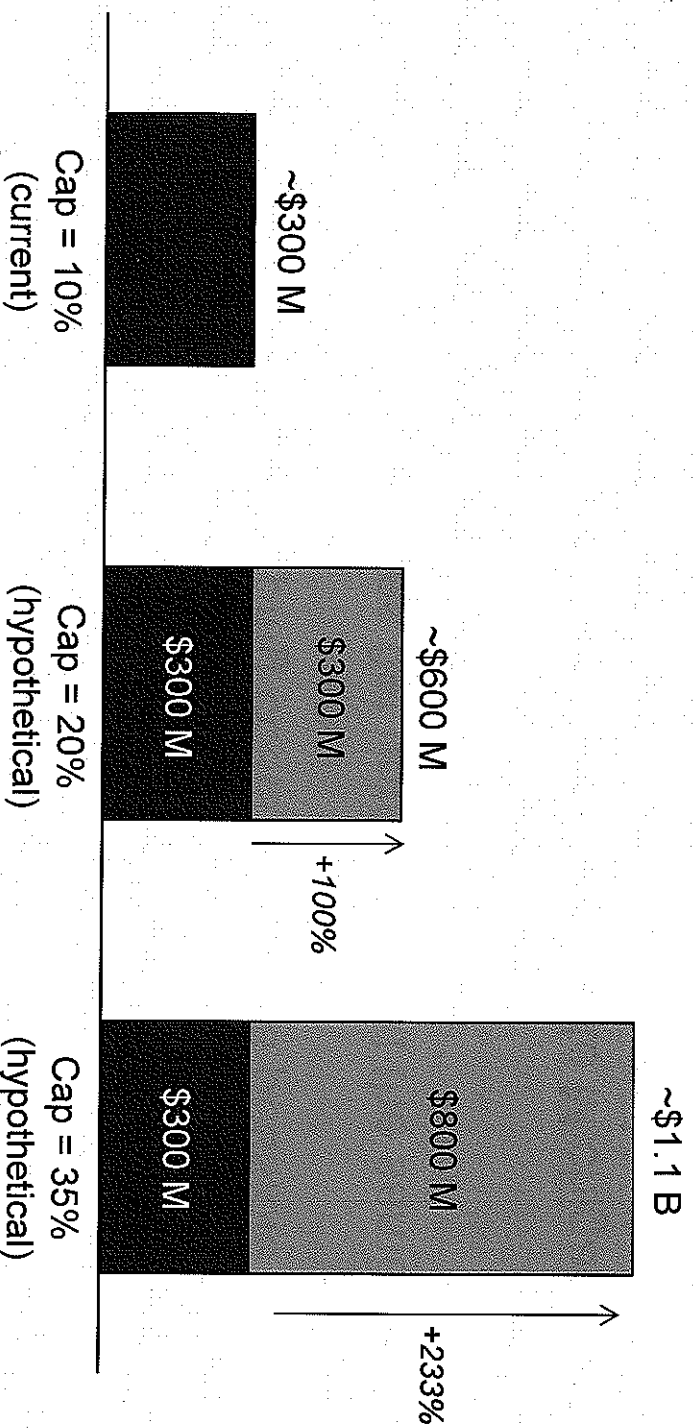
Note: Regulated and Deregulated rates based on weighted averages of those states  
Source: EIA Form 861 (2011)

**Michigan's 10% deregulation cap is another driver of residential rates: 99% of the families and businesses we serve pay more so that less than 1% can pay less**



**DTE Energy®**

**Fixed Costs Shifted to Remaining Utility Customers  
(\$ / year)**



**Each 5% increase in the deregulation cap costs Michigan's families and communities \$150 M**

---

**We are working hard to improve the affordability and competitiveness of Michigan's electric rates**



- 
- We remain committed to reducing operating costs through increased efficiency, keeping costs as low as possible
  - We plan to hold base rates flat until 2015. At the same time, we expect rates in other states to rise
  - We are investing to provide reliable service to Michigan's families and communities – today, tomorrow and in the future. In the end, our focus is on building a safe, reliable electric system able to support a growing economy and rising living standards for all Michigan families